NORTH AMERICAN EQUIPMENT DEALERS ASSOCIATION
"Committed to building the best business environment for North American equipment dealers."
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March 28, 2013

RE: Small Business/Pass Throughs Tax Reform Working Group
LIFO Comments

Last-in, First-out (LIFO) is an accepted accounting method that has been used by our equipment dealers to determine both "book" income and tax liability. It has been an accepted and established accounting method in the United States for 70 years and any repeal of this tax provision will have significant negative impacts on our dealers currently utilizing LIFO.

NAEDA represents and works with nearly 5,000 retail agricultural, industrial and outdoor power equipment dealerships in the U.S. and Canada. Collectively, these dealerships employ approximately 100,000 people. NAEDA is an association that works with 16 affiliated associations throughout North America and it is on their behalf – and the dealerships we all serve – that we submit comments concerning LIFO's possible repeal under tax reform.

In a LIFO survey conducted in 2012 of our dealer members, respondents indicated the following:

- 52% are currently using LIFO
- 75% have 1-50 employees
- 8% have 51-100 employees
- 17% have more than 100 employees
- 45% had annual sales less than $10 million
- 38% had annual sales of $10 million to $50 million
- 17% had annual sales in excess of $50 million

When polled about what they would do if LIFO was repealed as an accepted accounting method, the following responses were received:

- Reduce my workforce – 32%
- Postpone hiring – 66%
- Postpone or cancel anticipated expansion – 62%
- Postpone or cancel a capital expenditure – 77%
- Reduce employer contributions to employee 401-K plans – 34%
- Reduce or eliminate employer contributions to healthcare plans – 49%

One dealer responding to the survey summed up the possibility of repeal with this comment. He states:

> "We have been on LIFO for many years and if this is repealed it will be devastating for our dealership. Our dealership has been growing and adding many employees of the last few years. Dealerships such as ours require a lot

> of capital to run. I see this as severely reducing our available capital and we will have to put further expansion plans on hold and cut employees and expenses. I can't see that this will be a positive thing for our economy and will further stunt growth."

NAEDA does not believe that repeal of the LIFO accounting method should be a part of any tax reform proposal because of its potential impact on our equipment dealers. We also support the LIFO Coalition's two primary reasons as to why LIFO should not be repealed: ***the LIFO method is not a tax expenditure, and repeal would be an unprecedented retroactive tax increase.***

The LIFO Coalition, of which NAEDA is a member, has prepared detailed analyses of these issues and will be making that available to the Working Group. Should you have any specific questions on the impacts to our members, please don't hesitate to contact us.